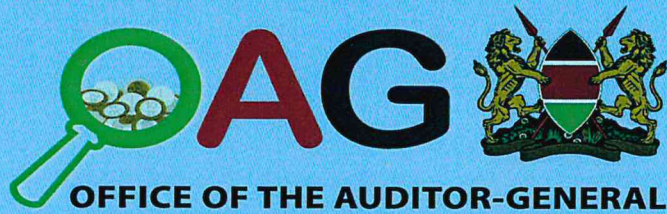


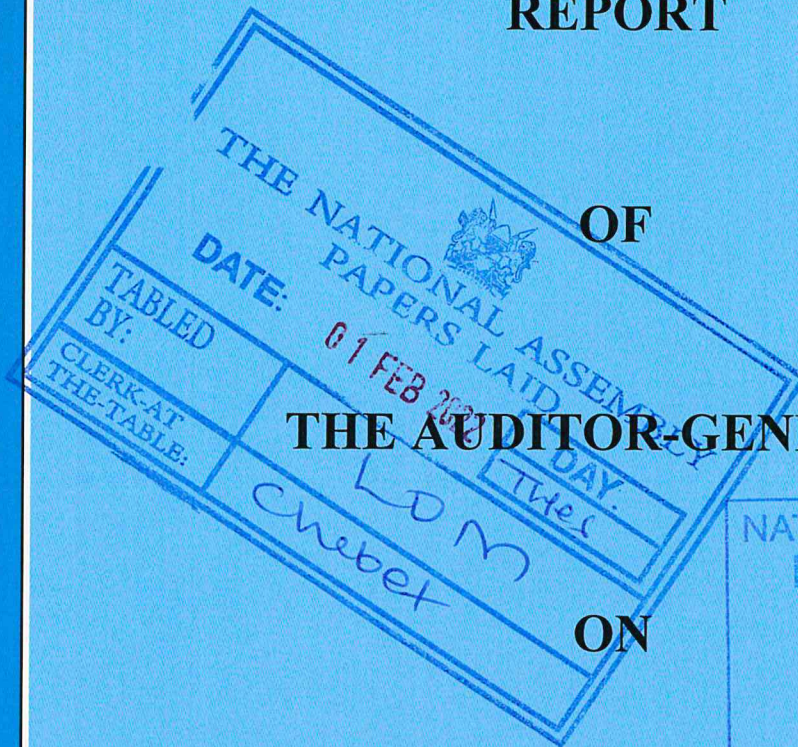
REPUBLIC OF KENYA



*Enhancing Accountability*

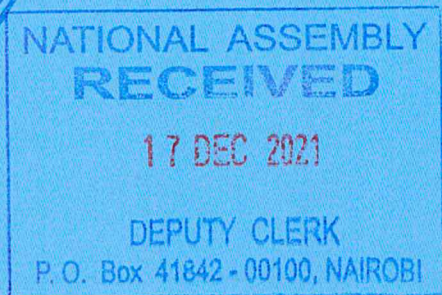
**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**



**TURKANA UNIVERSITY COLLEGE**

**FOR THE YEAR ENDED  
30 JUNE, 2017**



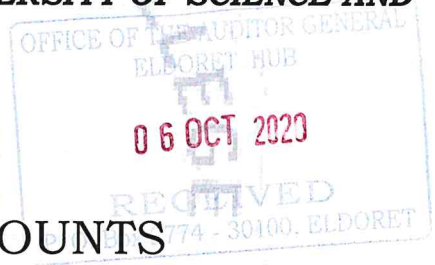


# TURKANA UNIVERSITY COLLEGE

**A CONSTITUENT COLLEGE OF MASINDE MULIRO UNIVERSITY OF SCIENCE AND  
TECHNOLOGY**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**





## **University College Information**

**OWNERSHIP:** The University College is 100% owned by the government.

**INCORPORATION:** The University College is a separate Legal entity under “Turkana University College, a constituent College of Masinde Muliro University of Science and Technology, the Universities Act (No.42 of 2012) through Kenya Gazette Legal Notice No.8 of 27<sup>th</sup> January 2017”.

**REGISTERED OFFICE:**

Turkana University College  
Lodwar-Kapenguria Road  
P.O BOX 69-30500  
Lodwar.

**AUDITORS:**

Auditor- General  
Kenya National Audit Office  
P.O BOX 30084-00100  
NAIROBI

**BANKERS:**

Kenya Commercial Bank Ltd



**Contents**

	<b>Page</b>
University College information	ii
Table of Contents	iii
Chancellor and Principal Officers of the University College	iv
Members of the University Council	v
Principal's Report	ix
Statement of Council Members' Responsibilities, Authority & University College Activities	x
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Cash flows	3
Statement of Changes in Equity	4
Notes to the Financial Statements	5 - 43





## Chancellor and Principal Officers of the University College

**Chancellor:** H.E Hon. Mwai Kibaki, B.A (Makerere), BSc. Econ (London),  
Hon DSC (MMUST), C.G.H.

### Chairman of the University College Council:

Dr. Mussolini Kithome (PhD), FAAPM MIOD

**Principal:** Prof. Egara Kabaji, PhD in Fork Media (UNISA), MA in  
Literary studies (KU), B.ed(KU), MBA Stategic Management-  
(Finalising at JKUAT)

Professor of Literary Communication.

**Deputy Principal: (Academics Affair)** Prof. Mutai Charles, PhD in  
Pharmacognosy (Athens University)

**Deputy Principal (AF&P)** Prof. Odebero Stephen, PhD in Education- Specialty in  
Higher Education Financing (Egerton University) B.Ed. – Arts  
(Egerton University)

Registrar (Planning & University Advancement) - ***vacant***

Registrar (Administration) - ***vacant***

Registrar (Academic Affairs) - ***vacant***

University College Librarian- ***vacant***

Dean of Students- ***vacant***

Ag. Finance Officer- ***vacant***



**MEMBERS OF THE UNIVERSITY COLLEGE COUNCIL (27<sup>th</sup> January 2017 -30<sup>th</sup> June 2017)**

Chairman of Council: Dr. Mussolini Kithome (PhD), FAAPM MIO D (K)

Principal: Prof. Egara Kabaji , PhD in Folk Media (UNISA), MA in Studies (KU), MBA Strategic Management- Finalizing at JKUAT  
Professor of Literary Communication.

**Members:**

Eng. Justus Gitobu Wambutura: -M.Sc. (Strategic Management), BSC.Hons (Electrical Engineering)

Dr. Mere Eroo Joseph -PhD (Diplomacy and International Relations)

Mrs. Sophy Kirorei -Master in Management Organization & Development

Ms. Salome Mbeyu Mwendar -Master in Armed Conflict and Peace

Mr. Paul Peter Mwangi -Master in Education and Administration

Mr. Nixon Mageka Gecheo -Master in Communication Management

Senate Representatives: ***vacant***

UASU Representative: ***vacant***

UNTESU Representative: ***vacant***

KUDHEIHA Representative: ***vacant***

Student Alumni: ***vacant***

Ex- Officio Members: ***vacant***



## PRINCIPAL'S REPORT

I have the pleasure to present the 1<sup>st</sup> Annual Report and Accounts for the financial year 2016/17FY ended 30th June 2017.

### The Result

The University College recorded a deficit of Kshs 38,715,918/= for the period under review. This was due high operating and maintenance costs which included huge amounts of provisions for depreciation of non-current assets, impairment of goodwill and provisions for bad debts all totaling to Kshs. 51,138,937.00. Besides, the University College relied solely on Appropriation in Aid since there was no capitation from GoK specifically for other recurrent costs except the personnel costs. This led to insufficiency of funds available for recurrent operations. With appropriate capitation this financial year, we hope to switch the trend towards surpluses in future.

### Capital Projects

Turkana University College is yet to commence investing more in the area of Capital Development given availability of funding from GoK and donors for the same. The net value of fixed assets stood at Kshs. **1,100,252,737** in the year under review. The University College requires more laboratories and equipments for ICT department, Engineering and Science faculties. The University College's need for more of the above infrastructures will avoid sending students to other Universities to attend practical's and examinations that levy charges on the University College. The hostels will facilitate absorption of more students in the University College and enhance student enrollment for various programmes. This is because there is lack of enough housing around Lodwar Town in which students could rent, and given the harsh conditions and hardships experienced in the area the University College expects to accommodate all the students. The ICT, Engineering & Science laboratories, and students' hostels will require **Kshs. 714,794,238M**

### Staffing



The University College is facing problem of insufficient human resource for the teaching and technical personnel. The University College needs more funds to acquire human resources and develop strategies for attracting and retaining staff in a bid to achieving its Vision.

**Conclusion.**

I would like to conclude by congratulating all staff and students for the harmony that has been maintained throughout the period under review.

**Prof. Egara Kabaji**

**PRINCIPAL**

**24/10/2017**





## **1. CORPORATE GOVERNANCE STATEMENT**

### **1. Ownership**

Turkana University College is a body corporate Gazette on 27<sup>th</sup> January, 2017 as a Constituent College of Masinde Muliro University of Science and Technology under the University Act (No.42 of 2012) through the Gazette Legal Notice No. 8 of 2017. The University College is wholly owned by Government of Kenya.

### **2. Responsibility of the University College Council**

The University College Council is responsible and accountable to the Government of Kenya through the State Department of University Education and Research for ensuring that the University complies with the Universities Act 2012, the University Statutes (2013) and adheres to the highest standards of corporate governance as prescribed in the State Corporations Act and the code of Governance for state corporation (Mwongozo).

### **3. Remuneration of the University College Council members.**

The University College Council members other than the Principal and the ex-official members do not receive a salary. They are however paid a sitting allowance for every meeting attended. The sitting allowance paid to the council members is disclosed in note 7 of the financial statements.

### **4. Conflict Of Interest**

The Council has complied with Mwongozo provisions paragraph 1.3 that expects each Council member to act honestly at all times and not to place themselves in a situation where their personal interest conflict with those of the organization. In addition, in compliance with paragraph 1.16, Council members disclose all real or perceived conflict of interest registered in a register maintained and updated accordingly.

### **5. Risk Management**

The identification and management of risk is a continuous process linked to the



achievement of the University's objectives. The Council is responsible for risk management and has an approved policy framework with development of various risk management procedures such as whistle blowing and audit committee charter which will enhance risk identification and management. The University College has established an Internal Audit department to carry out risk based internal audit on a quarterly basis. The University Council through its Audit and Compliance Committee receives regular reports during the quarter on internal control and risk.

Major risks facing the institution currently are documents of land title not in place, lack of better terms of employment for the University College staff in terms of work remunerations, which does not attract and retain staff competencies, thereby inhibiting staff morale for productivity.

The University College Council and Management have endeavored to address all the above issues conclusively. In connection to this, the University College is planning to transit all the staff to the standard remuneration terms that all other public Universities are currently offering their employees.

Moreover, the University College management conducts legal compliance reviews, which are reported to the council. The University College has hired an in-house legal officer to advice on legal issues.

#### **6. Statement of Compliance**

The Council Members confirm that Turkana University College has throughout the Quarter ending 30 June 2017 complied with the entire statutory and regulatory requirements and has been managed in accordance with the principal of Corporate Governance

#### **7. Committees of the University College Council**

In order to facilitate the smooth running of its affairs, the University Council establishes such committees with the membership and with such terms of reference as it may deem fit. The following committees were formed:



- a) Academic, Planning and Developments Committee
- b) Finance Resource Mobilization and Planning Committee
- c) Human Resource Management Committee
- d) Audit & Risk Management and Compliance Committee

The University Council nominates the Chairperson of each committee of the Council provided that in the absence of the Chairperson of any committee, the members present and constituting a quorum may elect one person from among them to chair the meeting. The Chairperson of the University Council and the Principal are ex-officio members of every committee of the Council.

### ***Academics, Planning and Developments Committee***

The Committee advises and oversees the strategic development and implementation of academic and research programmes; physical facilities and infrastructures plan; quality assurance for excellence in teaching, research and innovation and protection of intellectual assets.

### ***Finance Resource Mobilization and Planning Committee***

The committee provides oversight and advice on matters relating to the University College financial position, annual budget estimates, resource mobilization and investments, and pay due regard to the necessity to refer matters of major importance to the Council for final approval.

### ***Human Resource Management Committee***

The Committee oversees the formulation and subsequent monitoring/review of policies and strategies on employment of all University staff, including policies on recruitment and selection, staff development and training, performance management schemes and salaries, administrative practices and other conditions and terms of services.

### ***Audit & Risk Management and Compliance Committee***

The Committee oversee and advises on matters relating to the safety of assets;



operations of adequate systems; control processes, preparation of accurate financial reports in compliance with legal and statutory requirements and standards; internal and external audits; risk management strategies; institutional governance; monitoring of performance contract; and quality assurance.

## **TERMS OF REFERENCE OF COUNCIL COMMITTEES;**

### **Academics, Planning and Developments Committee**

- Oversee the development and regular updating of all policies relevant to the University College's Strategic Plan, Academics, Research, Development and Innovation.
- Provide strategic advice to the Council on development and updating of the University College's Strategic Plan, Academic, development and innovation.
- Ensure negotiation, monitoring and evaluation of the University College's Performance Contract (PC).
- Provide oversight to all infrastructure developments.
- Oversee the development and evaluation of the University College's academic programmes.
- Recommend to the Council potential areas of research, development and innovation for the University College.
- Ensure monitoring and evaluation of the University College's research as well as dissemination of research outputs through publications and exhibitions.
- Oversee protection of the University College's intellectual property and rights.
- Advise the Council on matters pertaining to international conventions.
- Enhance the University College's Corporate Image.
- Ensure the University College's certification by the International Organization





for Standardization (ISO).

- Oversee the development and approval of the Council Charter, Almanac and work plan.
- Review and assess, at least annually, the Committee's Charter for approval by the Council.
- Perform other oversight functions that the Council may assign from time to time related to Strategic Plan, Academic, development and innovation function

### **Finance Resource Mobilization and Planning Committee**

- Ensure compliance with finance and labour related laws, regulations and relevant circulars.
- Recommend for approval, the necessary policies for finance, resource mobilization and Human Resource functions.
- Shall review and recommend to Council the approval of the Budget and the Financial Reports.
- Shall recommend for approval the annual procurement plan and ensure it is aligned to the approved Annual Budget and cash flow projections.
- To receive and consider Monitoring and Evaluation reports on performance in the execution of ongoing projects and make suitable recommendations to the Council.
- To oversee the proper utilization and safeguarding of all University assets and funds.
- To consider and make recommendations to Council, any intended application of the University Seal to documents.



### **Human Resource Management Committee**

- To review and recommend employment structure including job grading / classification.
- To review and recommend the appointment, terms of appointment, performance and remuneration of the senior staff.
- To review and recommend terms and conditions of service for employees, grievance mechanisms, disciplinary action, staff development and training, incentives for employees.
- Review, recommend and coordinate training needs and appropriate Council Evaluation.
- Review and assess, at least annually, the Committee's Charter for approval by the Council.
- Coordinate Council Committees' effectiveness and performance.
- Perform any other duties that the Council may assign from time to time related to Human Resource functions.

### **Audit and Risk Compliance Committee**

- Ensure compliance with the law and regulations.
- Approve the necessary policies for Audit, Governance, Risk Management and Compliance functions.
- To oversee the internal and external audit function.
- Examine Internal and External Auditors' findings and recommendations for the improvement of the internal controls.
- Receive Management's response and track implementation status of internal control recommendations.
- Advise Management about any significant deficiencies in the design and operation of internal controls.



- Continuously review the implementation of the risk management framework.
- Review and assess, at least annually, the Audit Committee's Charter for approval by the Council.
- Perform other oversight functions that the Council may assign from time to time related to Audit, Governance, Risk Management and Compliance functions.

## **Statement of the Council Members' Responsibilities**

### **ACTIVITIES**

The principal activities of the University are teaching, research, and extension services.

### **RESPONSIBILITY**

Section 81 of the Public Finance Management Act of 2012, section 14 of the State Corporation Act and the University Act No 42 of 2012 requires the council to prepare financial statements which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results thereon. The council is required to ensure that the university keeps proper accounting records which disclose with reasonable accuracy the financial position of the university. The council is also responsible for safeguarding the assets of the University.

The council is responsible for the preparation and presentation of the university's financial statements which gives a true and fair view of the state of affairs of the university for the year ended 30 June 2017. This responsibility includes:

- (i) maintaining adequate financial management and ensuring that these continue to be effective through the reporting period,
- (ii) maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the University,



- (iii) designing, implementing and maintaining internal controls relevant to the fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error and fraud,
- (iv) safeguarding the assets of the University,
- (v) selecting and applying appropriate accounting policies and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, The State Corporation Act and The Universities Act No 42 of 2012. The Council is of the opinion that the financial Statements give a true and fair view of the state of the University College as at 30 June 2017 and the financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the internal control system.

Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least twelve months from the date of this statement.

#### **AUTHORITY**

The 2016/17FY accounts were presented to Committee of Council on Finance and Resource Mobilization and approved on ..... 24/10/2017 ....., 2017.

Chairman:  \_\_\_\_\_

Principal:  \_\_\_\_\_

Date: 23/09/2020 \_\_\_\_\_

Date: 23/9/2020 \_\_\_\_\_





# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON TURKANA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE, 2017**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Turkana University College set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2017, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Turkana University College as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Presentation of the Financial Statements**

The University College's financial statements submitted for audit did not include the principal activities of the college, respective photos and dates of birth for the Council Members, particulars of management team and principal legal advisor. Further, the chairman's report, report of the Council and management discussion analysis were not included in the financial statements as stipulated in financial reporting templates prescribed by the Public Sector Accounting Standards Board (PSASB).

Under the circumstances, the accuracy and completeness of the financial statements submitted for audit could not be confirmed.

##### **2.0 Tuition and Related Charges**

The statement of financial performance reflects tuition and related charges revenue of Kshs.24,045,911 which, as disclosed in Note 4 to the financial statements, includes

amounts of Kshs.23,738,211, Kshs.146,400, Kshs.500, Kshs.135,000 and Kshs.25,800 relating to tuition fees, attachment fees, examination fees, application fees and graduation fees, respectively. However, student's records including student fees ledgers, general ledger accounts, student fees arrears ledgers and supporting schedules were not provided for audit review.

Under the circumstances, the accuracy and completeness of the tuition and related charges balance of Kshs.24,045,911 for the year ended 30 June, 2017 could not be confirmed.

### 3.0 Property, Plant and Equipment

As disclosed in Note 12 to the financial statements, the statement of financial position reflects property, plant and equipment net book value balance of Kshs.860,223,393 as at 30 June, 2017. The property, plant and equipment cost amount was Kshs.883,300,729 as summarized below:

Item	Cost as at 30 June, 2017 (Kshs.)
Land	80,000,000
Buildings	650,000,000
Motor Vehicles	8,280,000
Computers and Accessories	20,969,274
Office Equipment	929,081
Furniture and Fittings	67,423,586
Plant and Equipment	32,337,518
Library Books	23,361,270
<b>Total</b>	<b>883,300,729</b>

The assets were acquired from Mount Kenya University, Lodwar Campus by Masinde Muliro University of Science and Technology through a purchase agreement signed on 30 November, 2016 at sum of Kshs.1,150,000,000 to establish the Turkana University College as constituent college.

Available information indicates that the Ministry of Lands and Housing undertook valuation of Mount Kenya University, Lodwar Campus's fixed assets for the purpose of purchase. The valuation report, dated 6 September, 2016, indicated that the land was held by Mount Kenya University under leasehold and the tangible assets were valued at Kshs.850,000,000 as summarized below:

Item	Amount (Kshs.)
Land and Fence	110,000,000
Buildings and Site Works	670,000,000
Other Tangible Assets	70,000,000
<b>Total</b>	<b>850,000,000</b>

However, the listing, description and valuation of each individual asset in each asset category were not included in the valuation report.

Under the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.883,300,729 as at 30 June, 2017 could not be confirmed.

#### **4.0 Trade and Other Receivables**

The statement of financial position reflects a balance of Kshs.12,525,062 under trade and other receivables which, as disclosed in Note 15 to the financial statements, comprised of student fees arrears of Kshs.11,741,520, sundry debtors of Kshs.2,175,216, and a provision for bad debts of Kshs.1,391,674.

The University College maintains two accounting systems; a student fees management computer application hosted at Mount Kenya University (MKU) with read-only access granted to Turkana University College personnel, and an excel spreadsheet with data extracted from the MKU application. According to the accounting system, the trade and other receivables amounted to Kshs.15,684,882 which differed from the reported balance of Kshs.12,525,062, resulting into an unexplained variance of Kshs.3,159,820.

Under the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.12,525,062 as at 30 June, 2017 could not be confirmed.

#### **5.0 Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.15,388,136 which, as disclosed in Note 17 to the financial statements, comprised of creditors of Kshs.3,862,967; prepaid fees of Kshs.6,766,924, part-time lectures dues of Kshs.2,402,984, outstanding tax on part-time lectures' of Kshs.730,366, outstanding taxes on council payments of Kshs.318,000, outstanding due to MKU of Kshs.1,106,895 and outstanding audit fee due to Office of the Auditor-General (OAG) of Kshs.200,000. However, ledgers and supporting schedules supporting the total trade and other payables balance of Kshs.15,388,136 and creditors aging analysis were not provided for audit review.

Under the circumstances, the accuracy and completeness of the Creditors and other payables balance of Kshs.15,388,136 as at 30 June, 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Turkana University College Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.357,471,440 and Kshs.331,682,480 respectively resulting in under-performance of Kshs.25,788,960. The University College budget of Kshs.357,471,440 comprised of Kshs.187,471,440 and Kshs.170,000,000 for recurrent and development budget respectively. However, the University spent a total of Kshs.962,000,000 on development budget resulting in an over-expenditure of Kshs.792,000,00 on development budget.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Late Submission of Financial Statements for Audit**

The University College financial statements for the year ended 30 June, 2017 were submitted for audit one (1) month after the statutory deadline of 30 September, 2017. This is contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 and Section 47 of the Public Audit Act, 2015 which requires that financial statements be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

The Management was therefore in breach of the law.

#### **2. Acquisition of Mount Kenya University (MKU) - Lodwar Campus**

During the year under review, Masinde Muliro University of Science and Technology (MMUST) acquired Mount Kenya University (MKU) - Lodwar Campus to establish Turkana University College as constituent college. Information available indicated MMUST engaged the services of the Ministry of Lands and Physical planning to undertake valuation of Mount Kenya University (MKU), Lodwar campus's fixed assets for

the purposes of purchase. The valuation report indicated that land is held under leasehold by the Mount Kenya university and all other tangible assets valuation amounted to Kshs.850,000,000 as summarized below:

Item	Amount (Kshs.)
Land and Fence	110,000,000
Buildings and Site Works	670,000,000
Other Tangible Assets	70,000,000
<b>Total</b>	<b>850,000,000</b>

Further, the valuation report further indicated a value of Kshs.1,200,000,000 as the going concern value of Mount Kenya University - Lodwar campus but the Ministry of Education Science and Technology advised MMUST Council to negotiate with MKU and inform the Ministry of the outcome.

A purchase agreement was signed on 30 November, 2016 at a sum of Kshs.1,150,000,000 payable in two (2) instalments subject to specified terms and conditions as indicated below:

Installment No.	Conditions for Payments	Amount (Kshs.)
1	The purchaser's advocates shall inspect all the completion documents listed in clause 6 of this agreement and held by the vendor's advocates. The vendor's advocates shall furnish the purchaser's advocate with an undertaking by the Vendor's advocates to the effect that they are holding all completion documents in a form approved by the purchaser's advocate.	700,000,000
2	Upon successful registration of the transfer in favour of the purchaser or such other date as the parties may agree in writing.	450,000,000
<b>Total</b>		<b>1,150,000,000</b>

During the under review, a total of Kshs.962,000,000 or approximately 84% of purchase price was paid to Mount Kenya University (MKU) in three installments. Additional information indicated that Lodwar Municipal Council allotted 100 acres at Kanamkener, to Mount Kenya University on 14 December, 2011.

However, available records revealed the following anomalies;

- i. The payments of Kshs.962,000,000 made to Mount Kenya University during the year ended 30 June, 2017 did not adhere to the payment schedule as stated in the contract resulting to unjustified payment of Kshs.262,000,000. Further,

the payments were not supported by: payment vouchers, original certificate of title and lease for the grant known as LR No.6477 (LR No.14691/425), transfer or conveyance of the property duly executed by the MKU, rates and rent clearance certificates, consent to transfer the property, certified MKU Senate or Board resolution approving the sale, certified copies of each of the signatories of the MKU and their identify cards, the MKU's PIN certificates and six (6) coloured passport photos of the signatories, evidence of the approval and certification of the campus by the Commission for University Education, consent of the County Government of Turkana to the transfer of the property by the MKU to MMUST, copy of certificate of allotment or allotment in relation to the property in favour of the MKU by the Municipal Council of Lodwar.

- ii. The sale agreement provided for audit review showed that Mount Kenya University sold the 100 acres of land to Masinde Muliro University of Science and Technology (MMUST) at price of Kshs.80,000,000. The Management has not explained how donated public land was sold to a public entity at Kshs.80,000,000.
- iii. Mount Kenya University applied for land allotment in the year 1992 yet the University was established in 2008 and awarded a charter in the year 2011. No explanation has been provided on the inconsistency.
- iv. Further, procurement documents indicating how Mount Kenya University was identified for acquisition were not provided for audit review. This is contrary to Article 227(1) of the Constitution of Kenya 2010 which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.
- v. Audit inspection of the project carried out in August, 2020 revealed that the 100-acre parcel of land is not delineated on the ground with visible beacons as stated in the contract agreement and the title deed in favour of Masinde Muliro University of Sciences and Technology was not provided for audit review to confirm transfer of ownership of land and buildings.

Consequently, propriety and regularity of payments amounting to Kshs.962,000,000 as at 30 June, 2017 could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1.0 Under-Staffing of Finance and Accounting Department**

The Finance and Accounting Department had only two (2) members of staff inclusive of the Finance Manager. The Department was not adequately staffed to carry out its mandate of budgeting effectively and efficiently, processing of payments, receiving and making payments, updating of cash books, updating of general and subsidiary ledgers, preparation monthly reconciliation statements, preparation of quarterly and annual financial statements and general supervision among others. There was no segregation of duties contrary to Section 165 of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a National Government entity to develop — (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

### **2.0 Failure to Review and Update Cash Books**

The statement of financial position reflects cash and cash equivalents balance of Kshs.13,732,014 as at 30 June, 2017 in respect of four (4) bank accounts as disclosed in Note 16 to the financial statements. Although the University College maintained cash books for four (4) bank accounts operated during the year, the cash books and bank reconciliation statements were not checked and reviewed by the responsible officer. Further, the opening and closing balances were written using a pencil contrary to Section 16(1-2) of the Public Finance Management (National Government) Regulations, 2015 which requires that financial records and documents shall be written in indelible ink and that an entry in a financial record or document shall not be obliterated, erased or altered by being written over.

### **3.0 Lack of Inventory Management Policy**

As disclosed in Note 14 to the financial statements, the statement of financial position reflects an inventory balance of Kshs.164,505 as at 30 June, 2017. However, the University College did not have an Inventory Management Policy to provide formal guidance on the management of inventory. This is contrary to Section 68(2)(e) of the Public Finance and Management Act, 2012 which requires an Accounting Officer to ensure that adequate arrangements are made for the custody, safeguarding and

maintenance of goods. The University College risks losing its stock due to lack of an Inventory Management Policy.

#### **4.0 Incomplete Fixed Assets Register**

The statement of financial position reflects a balance of Kshs.860,223,393 under property, plant and equipment which, as disclosed in Note 12 to the financial statements, comprised of land, buildings, motor vehicles, computer and accessories, office equipment, furniture and fittings, plant and equipment and library books, whose total cost amounts to Kshs.883,300,729. However, the assets register maintained lacks critical information such as cost of the assets, serial number and date of acquisition. Further, the assets were not tagged for ease of identification.

Consequently, the university college risks losing its assets due to weak internal controls in management of fixed assets.

#### **5.0 Lack of Audit Committee and Internal Audit Function**

During the year under review, the University College had no Audit Committee in place. This is contrary to Section 73(5) of the Public Finance Management Act, 2012, which requires every national government public entity to establish an Audit Committee whose composition and functions shall be as prescribed by the regulations. The University College did not also have an Internal Audit Function contrary to Section 73(1) of the Public Finance Management Act, 2012 which requires every national government entity to ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board (PSASB). Lack of an Audit Committee and Internal Audit Function may lead to weak internal controls resulting in loss of public funds.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and the University Council**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis)] and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the University College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless



Management is aware of the intention to terminate the University College or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University College monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the University College policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University College's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

03 December, 2021



**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

<b>REVENUES:</b>	<b>Notes</b>	<b>2016/17FY</b>
		<b>Kshs.</b>
Capitation of Recurrent Grants		35,000,000
Tuition and Related Charges	4	24,045,911
Income Generating Units		-
Sundry Incomes	5	70,500.00
<b>TOTAL REVENUE</b>		<b>59,116,411</b>
<b>EXPENSES:</b>		
Personnel Costs		27,492,500
Administrative Costs	8	3,124,332
Operating and Maintenance expenses	9	11,138,194
Council Expenses	11	4,271,341
Provision for Bad Debts		1,391,674
Sundry Expenses	10	667,025
Depreciation charge for the year		23,077,336
Goodwill Impairment		26,669,927
<b>TOTAL Expenditure</b>		<b>97,832,329</b>
<b>SURPLUS/(DEFICIT) for the year</b>		<b>(38,715,918)</b>



**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2017**

		<b>2016/17FY</b>
<b>ASSETS:</b>	<b>NOTES</b>	<b>Shs</b>
<b>Non-Current Assets:</b>		
Property, Plant & Equipment	12	860,223,393.00
Good will	13	240,029,344.00
		<b>1,100,252,737.00</b>
Current asset		
Inventory	14	164,505.00
Trade and other Receivables	15	12,525,062.00
Cash and Bank balances	16	13,732,014.00
		<b>26,421,581.00</b>
<b>TOTAL ASSETS</b>		<b>1,126,674,318.00</b>
<b>EQUITY AND RESERVES:</b>		
Equity		962,000,000.00
Reserve		38,715,918.00
<b>Total Equity</b>	<b>18</b>	<b>923,284,082.00</b>
<b>Capital Liability</b>		
Capital Debt	<b>21</b>	188,000,000.00
<b>Current Liability</b>		
Trade and other Payables	<b>17</b>	15,388,136.00
Bank Overdraft		2,100.00
<b>TOTAL NET CAPITAL RESERVES AND LIABILITIES</b>		<b>1,126,674,318.00</b>





**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017 (DIRECT METHOD)**

	2016-2017
	Kshs
<b>Cash flows from operating activities</b>	
<b>Receipts</b>	
Government grants and subsidies	1,185,000,000.00
Rendering of services	-
Trade and other payables	15,388,135.00
Finance income	24,045,911.00
Other income, rentals and agency fees	70,500.00
<b>Total Receipts</b>	<b>1,224,504,546.00</b>
<b>Payments</b>	
Compensation of employees	(27,492,500.00)
Goods and services	(3,288,837.00)
Council payments	(4,271,340.00)
Finance cost	(667,025.00)
Trade and other receivables	(13,916,736.00)
Taxation paid	-
Other payments	(11,138,194.00)
Grants and subsidies paid	-
Total Payments	<b>(60,774,632.00)</b>
<b>Net cash flows from operating activities</b>	<b>1,163,729,914.00</b>
Cash flows from investing activities	
Purchase of property, plant, equipment and intangible assets	(1,150,000,000.00)
<b>Net cash flows used in investing activities</b>	<b>(1,150,000,000.00)</b>
<b>Cash flows from financing activities</b>	
Proceeds from borrowings	-
Repayment of borrowings	-
Increase in deposits	-
<b>Net cash flows used in financing activities</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,729,914.00</b>
Cash and cash equivalents at 1 Jan 2017	-
<b>Cash and cash equivalents at 30 JUNE</b>	<b>13,729,914.00</b>



**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

<b>QUARTERLY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30TH JUNE 2017</b>			
<b>Details</b>	<b>Equity</b>	<b>Revenue</b>	<b>Total equity</b>
<b>4TH QUARTER FOR 2016/17FY</b>			
Balance as at 1st July 2016 as previously reported	-		-
Capital Development Grants	962,000,000		962,000,000
Surplus/(Deficit) for the year		(38,715,918)	(38,715,918)
Capital Debts	188,000,000		188,000,000
<b>BALANCE AS AT 30 JUNE</b>	<b>1,150,000,000</b>	<b>(38,715,918)</b>	<b>1,111,284,082</b>

The financial statement on page 1 to 26 was approved by council on 24 October 2017 and was signed on its behalf by

**DR. Solomon John Muchina, PhD**

Sign..........Date.....23/09/2020.....

**COUNCIL CHAIRMAN**

**PROF. George N Chemining'wa PhD**

Sign..........Date.....23/9/2020.....

**AG. PRINCIPAL**

**CPA JARED OKELLO**

Sign..........Date.....23/09/2020.....

**HEAD OF FINANCE ICPAK NO 4971**



**STATEMENT COMPARISON OF BUDGETED AND ACTUAL AMOUNTS**

<b>COMPARISON STATEMENT OF BUDGETED AND ACTUAL FOR 2016/17FY</b>					
<b>DESCRIPTION</b>	<b>FINAL BUDGET 2016/2017</b>	<b>ACTUAL 2016/2017</b>	<b>Variance</b>	<b>% Variance</b>	<b>Explanation of material variance</b>
<b>Revenue:</b>	<b>Kshs.</b>	<b>Kshs.</b>		<b>%</b>	
Exchequer Grants	100,800,000	120,800,002	20,000,002	19.84	
KUCCPS Tuition	2,184,000.00	1,664,500.00	(519,500.00)	-23.78	
PSSP Undergraduate, Masters & Diploma	63,799,290	25,200,482	(38,598,808)	-60.5	
Student administration charges	658,000	4,328,070	3,670,070	557.76	
ICT Levy	1,875,000	985,400	(889,600)	-47.45	
Library Levy	1,125,000	566,500	(558,500)	-49.64	
Hostel Charges	-	3,903,200	3,903,200	100	
IGU	7,500,000	4,234,326	(3,265,674)	43.542	
Short Courses/Consultancies	9,530,150	-	(9,530,150)	-100	
<b>Sub-Total Revenue</b>	<b>187,471,440</b>	<b>161,682,480</b>	<b>(25,788,960)</b>	<b>13.756</b>	
Development grants from GoK	170,000,000	170,000,000	-	0	
<b>TOTAL REVENUE:</b>	<b>357,471,440</b>	<b>331,682,480</b>	<b>(25,788,960)</b>	<b>7.2143</b>	
<b>Expenditures:</b>					
Audit fees/Expenses	200,000	128,246	71,754	35.877	
Bank Charges	300,000	106,153	193,847	64.616	
Consultancy Services/Strategic Plan	200,000	179,880	20,120	10.06	
Examination Materials	1,000,000	796,200	203,800	20.38	
External Examiners	1,000,000			98.3	

<b>COMPARISON STATEMENT OF BUDGETED AND ACTUAL FOR 2016/17FY</b>					
<b>DESCRIPTION</b>	<b>FINAL BUDGET 2016/2017</b>	<b>ACTUAL 2016/2017</b>	<b>Variance</b>	<b>% Variance</b>	<b>Explanation of material variance</b>
		17,000	983,000		
External Travel & Accommodation	500,000	-	500,000	100	
Internet Charges	900,000	995,466	(95,466)	-10.61	
Library Expenses	1,000,000	942,491	57,509	5.75	
New programmes/Curriculum	1,300,000	366,830	933,170	71.78	
Office expenses/Other meetings	500,000	326,432	173,568	34.71	
Official Entertainment	100,000	81,500	18,500	18.5	
Postal and Telegrams	150,000	19,220	130,780	87.19	
Public Celebrations & Funerals	100,000	20,000	80,000	80	
Publishing & Printing	1,500,000	1,499,087	913	0.06	
Purchase of Stationery	1,500,000	1,548,875	(48,875)	-3.25	
Purchase of Uniforms & Clothing	160,000	146,400	13,600	8.5	
Research Programmes	3,000,000	-	3,000,000	100	
Seminars & Conferences	1,500,000	813,800	686,200	45.75	
Senate/Deans expenses	800,000	795,320	4,680	0.58	
SGC Elections & Training	300,000	-	300,000	100	
Shows & exhibition expenses	1,000,000	437,300	562,700	56.27	
Teaching materials	1,500,000	1,478,725	21,275	1.42	
Telephone expense	1,000,000			99.25	

<b>COMPARISON STATEMENT OF BUDGETED AND ACTUAL FOR 2016/17FY</b>					
<b>DESCRIPTION</b>	<b>FINAL BUDGET 2016/2017</b>	<b>ACTUAL 2016/2017</b>	<b>Variance</b>	<b>% Variance</b>	<b>Explanation of material variance</b>
		7,520	992,480		
Internship	400,000	-	400,000	100	
Travelling & Accommodation	2,750,000	2,723,350	26,650	0.97	
University College Management Board	400,000	357,950	42,050	10.51	
Attachment Expenses	2,000,000	949,206	1,050,793	52.54	
Discretionary vote (Principal)	500,000	140,600	359,400	71.88	
Advert & Publicity/Marketing	1,000,000	1,331,320	(331,320)	-33.13	
Affiliation fees	200,000	40,460	159,540	79.77	
Careers week	210,000	150,000	60,000	28.57	
Cleaning & Sanitation Services	400,000	349,030	50,970	12.74	
Coaching and Mentorship	100,000	-	100,000	100	
Customer Surveys	150,000	-	150,000	100	
Disability Mainstreaming	100,000	-	100,000	100	
Electricity	600,000	478,122	121,878	20.31	
Hire of Transport, Plant & Machinery	150,000	10,200	139,800	93.2	
HIV & AIDS	100,000	-	100,000	100	
Insurance	3,000,000	2,227,484	772,516	25.751	
Legal expenses	500,000	-	500,000	100	
Inter-University games				0.11	

<b>COMPARISON STATEMENT OF BUDGETED AND ACTUAL FOR 2016/17FY</b>					
<b>DESCRIPTION</b>	<b>FINAL BUDGET 2016/2017</b>	<b>ACTUAL 2016/2017</b>	<b>Variance</b>	<b>% Variance</b>	<b>Explanation of material variance</b>
	800,000	799,150	850		
TUCSO	200,000	79,100	120,900	60.45	
Maintenance of Building & stations	1,000,000	1,008,131	(8,131)	-0.81	
Maintenance of Computers	300,000	3,200	296,800	98.93	
Maintenance of Plant & Equipment	1,000,000	984,070	15,930	1.59	
Maint. of Water supplies & sewerage	700,000	689,300	10,700	1.53	
Maintenance of Catering & Hostels	600,000	525,225	74,775	12.46	
Maintenance of Playgrounds	200,000	177,450	22,550	11.27	
Maintenance of Motor Vehicles	500,000	1,444,413	(944,413)	188.88	
Security Services	2,000,000	1,591,986	408,014	20.40	
Sports Equipments & Sporting Activities	1,000,000	439,010	560,990	56.10	
Staff Development/Training	1,000,000	999,895	105	0.01	
Student Administrative expenses	500,000	488,620	11,380	2.27	
Tender Expenses	1,000,000	1,015,175	(15,175)	-1.52	
Fuel and Lubricants	1,000,000	914,050	85,950	8.60	
University College choir/drama	500,000	497,020	2,980	0.60	
Corporate Social Responsibility	200,000	159,820	40,180	20.09	
Water & Conservancy	1,000,000	966,890	33,110	3.31	
Medical Expenses	9,068,068			99.38	



<b>COMPARISON STATEMENT OF BUDGETED AND ACTUAL FOR 2016/17FY</b>					
<b>DESCRIPTION</b>	<b>FINAL BUDGET 2016/2017</b>	<b>ACTUAL 2016/2017</b>	<b>Variance</b>	<b>% Variance</b>	<b>Explanation of material variance</b>
		56,020	9,012,048		
KUCCPS Processing fees	126,000	213,400	(87,400)	-69.36	
Council Expenses	9,100,000	17,228,881	(8,128,881)	-89.33	
IGU Expenses	1,000,000	3,612,708	(2,612,708)	-	
Performance Contracting	500,000	344,025	155,975	261.27	
ISO Certification	800,000	-	800,000	31.195	
Part time Lecturers expenses	1,400,000	3,444,439	(2,044,439)	100	
Special Projects	1,000,000	1,265,959	(265,959)	-	
Library Books	-	644,726	(644,726)	-26.59	
Student Catering Services	-	5,038,160	(5,038,160)		
Employees Costs	118,907,372	84,414,697	34,492,675	29.01	
<b>Total Recurrent Expenditure</b>	<b>187,471,440</b>	<b>148,509,686</b>	<b>38,961,754</b>	20.78	
Payment for Purchase Price MKU Balance	170,000,000	170,000,000	-	0	
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>357,471,440</b>	<b>318,509,686</b>	<b>38,961,753</b>	10.90	
<i>SURPLUS/(DEFICIT)</i>	-	13,172,794	13,172,794		



## **Notes to the Financial Statements**

### **1. Significant Accounting Policies**

#### **1.1 Basis of Preparation and Statement of Compliance**

The TUC financial statements have been prepared on a historical cost basis, unless stated otherwise. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying TUC's accounting policies. There were no areas involving a higher degree of judgment or complexity, or where assumptions and estimates were significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of TUC.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements shall be prepared in accordance with International Public Sector Accounting standards as may be issued by the respective standard setting bodies from time to time. The financial statements shall be prepared under the historical cost convention.

#### **1.2 Revenue Recognition**

##### **Revenue from non-exchange transaction**

##### **Government Recurrent Grants and Donors Research Grants**

Revenue from non-exchange transactions with other government entities are measured at fair value and are recognized on obtaining control of the assets if transfer is free from conditions and it is possible that the economic benefits or services potential related to the assets will flow to the entity and can be measured reliably.

##### **Revenue from exchange transactions**



**Student fees**

The entity recognises revenue from rendering services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured

reliably and it is probable that the economic benefits or service potential associated with the transaction will

flow to the entity.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Rental income**

Rental income arising from the operating leases on investment properties is accounted for on straight line basis over the lease term and included in revenue.

**1.3 Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the



recognition criteria is satisfied. Where the assets are acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Depreciation is provided for at annual rates estimated to write off the assets over the expected useful lives using straight-line method. The following annual rates are used for the depreciation of property, plant and equipment.

<b>Description</b>	<b>Rate %</b>
Buildings	2.50%
Plant, machinery and equipment	12.50%
Computer equipment	30.00%
Motor vehicles	25.00%
Furniture and fittings	12.50%
Intangible Assets	10.00%

a) **Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition,

intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.





Intangible assets shall be amortized over their useful life on a straight line basis. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

a) **Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The University determines the classification of its financial assets at initial recognition.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process as permitted by the standards.

**1.4 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out (FIFO) method.

**1.5 Library Books**



The value of library books was included in the property plant and equipment. But the cost of teaching materials is written off to expenditures.

### **1.6 Research Funds**

All research costs are expensed as incurred.

Development costs are capitalized only after technical and commercial feasibility of the resulting product or service have been established. All other treatments relating to research and development shall be as permitted by the standards **Biological Assets**

There were no biological assets maintained by the University College as at the end date of the financial year 2017/18FY

### **1.7 Trade and other Receivables**

Most receivables are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables shall be reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

The default rate on fee arrears is normally 10 percent of student debtors.

### **1.8 Cash and Cash equivalents**

Cash and cash equivalents include cash in hand, term and call deposits with banking institutions.

### **1.9 Trade Payables**

Trade payables are obligations on the basis of normal credit terms and do not bear interest.

### **2.0 Provisions**

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### **Contingent liabilities**

The University does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### **Contingent assets**

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

## **2.0 Currency**

The accounts are expressed in Kenya Shillings and the amounts are rounded off to the nearest one shilling.

### **1.0 Government Grant**

**1.1** Turkana University College received a total of Kshs. 962,000,000.00 as grants from the Ministry of Education for 2016/17FY, out of which kshs. 862,000,000.00 relates to capital development grants and kshs. 100,000,000.00 relates to recurrent grants. However, all the above grants were received by Masinde Muliro University of Science and Technology bank



account and accordingly transacted all the payments thereof on behalf of Turkana University College.

The fact that Turkana University College never received the grants directly on their bank accounts, informs the reason why we could not include the same on the statement of comprehensive income since the amounts and their corresponding expenditures have already been captured by Masinde Muliro University of Science & Technology.

TURKANA UNIVERSITY COLLEGE





4.0	<b>Tuition &amp; Related Charges:</b>	<b>AS AT 30<sup>TH</sup> JUNE 2017</b>
	Tuition Fees (PSSP)	23,738,211.00
	Attachment Fees	146,400.00
	Examination cards	500.00
	Application Fees	135,000.00
	Graduation Fees	25,800.00
	<b>Total</b>	<b>24,045,911.00</b>

5.0	<b>Sundry Income</b>	<b>AS AT 30<sup>TH</sup> JUNE 2017</b>
	<b>Accommodation (Hostel) Fees</b>	<b>15,500.00</b>
	<b>Rental Income (Shop &amp; Cafeteria)</b>	<b>55,000.00</b>
	<b>TOTAL</b>	<b>70,500.00</b>

### 6.0 Income Generating Units

There was no any income generating units during the year under review. The University College was yet to initiate such Income Generating projects subject to availability of funds.

### 7.0 Personnel Costs

The Turkana University College staff payroll preparation and salaries payment was being done on behalf the University College by Masinde Muliro University of Science & Technology, as the funds for the same in terms of recurrent grants were transferred directly to their accounts. A total of Kshs 27,492,500 was incurred on personnel expenditure for the six months.

8.0	<b>Administrative Expenses</b>	<b>AS AT 30<sup>TH</sup> JUNE 2017</b>
		<b>Kshs.</b>
	Audit fees	200,000
	Consultancy services	60,000
	Examination Materials	34,290
	Internet Charges	20,000



	New Programmes	65,000
	Office expenses	56,615
	Official entertainment	12,840
	Publishing and printing	33,900
	Purchase of stationery	432,250
	Seminar and conferences	605,830
	Senate/Deans Expenses	31,180
	SGC elections and training	31,600
	Travelling and Accommodation	924,969
	University College Management Board	53,000
	Attachment expense	527,600
	Discretionary vote for the Principal	35,258
		3,124,332.00

<b>9.0</b>	<b><i>Operating and Maintenance Expenses</i></b>	<b>AS AT 30<sup>TH</sup> JUNE 2017</b>
	Advert and publicity	581,740.00
	Legal Expense	6,000,000.00
	Valuation fee	1,507,500.00
	Cleaning services	58,030.00
	Electricity	91,163.00
	Hire of Transport, Plant and Machinery	15,600.00
	Maintenance of Building and Stations	399,500.00
	Maintenance of Computers	2,590.00
	Maintenance of Plant and Equipment	327,350.00
	Maintenance of Catering and Hostels	8,600.00
	Maintenance of Motor Vehicles	106,221.00
	Security Services	3,300.00
	Staff Development/Training	5,630.00
	Student Administrative Expenses	46,800.00



	Tender Expenses	435,900.00
	Fuel and Lubricants	222,230.00
	Water and Conservancy	1,266,300.00
	Medical Expenses	9,740.00
	Corporate Social Responsibility	50,000.00
		<b>11,138,194.00</b>

10.0	<b><i>Sundry Expenses</i></b>	<b>AS AT 30<sup>th</sup> JUNE 2017</b>
	Accommodation (Hostel) Expense	503,275
	Bank Charges	23,750
	Special Projects	140,000
11.0	Council Expenses	4,271,341
		4,938,366.00



## 12.0 PROPERTY, PLANT &amp; EQUIPMENT IN (KSHS)

	Land	Buildings.	2.5%	25.0%	33.3%	12.5%	12.5%	Furniture and Fittings	20.0%	Plant & Equipment	20.0%	Library books	25.0%	Sub-total	Good will	20.0%	Total
Cost as at 1st July 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	80,000,000	650,000,000	8,280,000	20,969,274	929,081	67,423,586	32,337,518	23,361,270	883,300,729	266,699,271	1,150,000,000						
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost as at 30th June 2017	80,000,000	650,000,000	8,280,000	20,969,274	929,081	67,423,586	32,337,518	23,361,270	883,300,729	266,699,271	1,150,000,000						
Dep. As at 30th June 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year 2016/2017	-	8,125,000	1,035,000	3,491,384	58,068	4,213,974	3,233,752	2,920,159	23,077,336	26,669,927	49,747,263						





## Annual Report and Accounts

For the Year Ended 30<sup>th</sup> June 2017

Dep. As at 30th June 2017	-	8,125,000	1,035,000	3,491,384	58,068	4,213,974	3,233,752	2,920,159	23,077,336	26,669,927	49,747,263
NBV 30th June 2017	80,000,000	641,875,000	7,245,000	17,477,890	871,013	63,209,612	29,103,766	20,441,111	860,223,393	240,029,344	1,100,252,737



**13.0 Goodwill Computation and Impairment**

Purchase Price 1,150,000,000

Less: Fair Value of Total Assets (As per Certificate of Business Value)

883,300,729

Purchased Goodwill 266,699,271

	Impairment of Goodwill	AS AT 30 <sup>TH</sup> JUNE 2017
	Goodwill B/f as calculated above	266,699,271
	Less: Impairment Charge @ 10%	(26,669,927)
	Net Book Values (NBVs)	240,029,344

<b>14.0</b>	<b>Inventories</b>	AS AT 30 <sup>TH</sup> JUNE 2017
	<b>Other inventories</b>	<b>164,505</b>
	<b>TOTAL</b>	<b>164,505</b>

<b>15.0</b>	<b>Trade and Other Receivables</b>	<b>AS AT 30<sup>TH</sup> JUNE 2017</b>
	Student Fees Arrears	11,741,520
	Sundry Debtors	2,175,216
	Less Provision for Bad Debts	(1,391,674)
	Totals	<b>12,525,062</b>

<b>16.0</b>	<b>Cash and Cash Equivalents</b>	<b>As at 30<sup>th</sup> June 2017</b>
	<i>Cash at Bank</i>	
	Collection Acc. No. 1204387079	10,723,161
	Payment Acc. No. 1206564520	1,788,852
	Deposit Acc. No. 1205643117	1,106,995
	<i>Cash at Hand</i>	



Collection Acc. No. 1204387079	-
Payment Acc. No. 1206564520	113,006
<b>TOTALS</b>	<b>13,732,014</b>
<b>Bank Overdraft</b>	
Development Acc. No. 1205643036	2,100

<b>17.0 Trade and Other Payables</b>	<b>As at 30<sup>th</sup> June 2017</b>
Creditors	3,862,967
Prepaid Fees	6,766,924
Part Time Lecturers payment due	2,402,984
Outstanding Taxes on Part time lect	730,366
Outstanding Taxes on council payments	318,000
Outstanding audit fees - OAG	200,000
Outstanding due to MKU	1,106,895
<b>Totals</b>	<b>15,388,136</b>

<b>18.0 Equity</b>	<b>AS AT 30<sup>TH</sup> JUNE 2017</b>
Equity	-
Capital Grants	962,000,000
Capital Debts	188,000,000
Recurrent Grants	35,000,000
<b>TOTAL</b>	<b>1,185,000,000</b>

### 19.0 Events after the end of the reporting period

There was no major event that occurred after the balance sheet date that would affect the value of the balance sheet.



## 20.0 Donor Funds

There were no donor funds neither received during the financial year nor brought forward from any previous period, for the financial period under review.

## 21.0 Capital Liability

The capital liability of kshs. 188,000,000.00 was computed as an outstanding (un-paid) purchase price out of the total purchase price for acquiring the property, plant & equipment from Mount Kenya University at cost of Kshs.1, 150,000,000.00, after part payment of kshs.962,000,000.00

## 22.0 Campus Development and Deposit Accounts

Separate disclosures have been made for the above University College accounts as under:

The University College maintains two additional Bank Accounts which are as follows;

1. Campus Dev't Account No. 1205643036
2. Campus Deposit Account No. 1205643117

These two bank accounts have been dormant since were opened but some funds were erroneously transferred to one of the accounts (Deposit Account No. 1205643117 on 17<sup>th</sup> May 2017 totaling to Kshs. 1,106,895.00 (One Million one hundred and six thousands eight hundred ninety five shillings only) by Mount Kenya University meant to settle their outstanding debts for goods supplied and services rendered to MKU that were left behind after the sale if the University to Turkana University College. These transactions were not captured in the main annual financial statements but have been reported as below:

### CAMPUS DEV'T & DEPOSIT ACCOUNTS TRIAL BALANCE AS AT 30<sup>TH</sup> JUNE 2017

22.1	Details	DEBIT (Kshs.)	CREDIT (Kshs.)
	CAMPUS DEV'T ACC No. 1205643036		
	CAMPUS DEPOSIT ACC No. 1205643117		
	INCOMES:		
	Miscellaneous Receipts		200.00
	Extra-Ordinary income (MKU)		1,106,895.00





	Collection Acc. No. 1204387079		2,000.00
	Collection Acc. No. 1204387079		2,000.00
	<b>EXPENDITURES:</b>		
	Bank charges	6,200.00	
	<b>CLOSING BANK BALANCES:</b>		
	CAMPUS DEV'T ACC No. 1205643036	-	2,100.00
	CAMPUS DEPOSIT ACC No. 1205643117	1,106,995.00	-
	<b>TOTALS</b>	<b>1,113,195.00</b>	<b>1,113,195.00</b>

**CAMPUS DEV'T ACCOUNT No. 1205643036 CASH BOOK ENDED 30<sup>TH</sup> JUNE 2017**

<b>22.2</b>	<b>DETAILS</b>	<b>DEBIT (KSHS.)</b>	<b>CREDIT (KSHS.)</b>
1/1/2017	Bank Balance Brought Forward	-	
28/2/2017	Internal Bank Transfer from Collection Acc.	2,000.00	
30/6/2017	Total Bank Charges		4,100.00
30/6/2017	Bank Balance Carried Forward (Bank overdraft)	2,100.00	
<b>TOTAL</b>		<b>4,100.00</b>	<b>4,100.00</b>

**BANK RECONCILIATION STATEMENT AS AT 30<sup>TH</sup> JUNE 2017 FOR DEV'T ACC No. 1205643036**

	<b>Kshs.</b>	<b>Kshs.</b>
Balance as per Cash Book		(2,100.00)
Add: Unpresented cheques		NIL
Less: Uncredited Cheques		NIL
<b>Balance as per Bank Statement</b>		
<b>(2,100.00)</b>		



**CAMPUS DEPOSIT ACCOUNT No. 1205643117 CASH BOOK ENDED 30<sup>TH</sup> JUNE 2017**

<b>22.3</b>	<b>DETAILS</b>	<b>DEBIT (KSHS.)</b>	<b>CREDIT (KSHS.)</b>
1/1/2017	Bank Balance Brought Forward	-	
28/2/2017	Internal Bank Transfer from Collection Acc.	2,000.00	
15/3/2017	Miscellaneous income (R/No. 000132)	200.00	
17/5/2017	Mount Kenya University Transfer (R/No. 000133)	600,000.00	
17/5/2017	Mount Kenya University Transfer (R/No. 000134)	506,895.00	
30/6/2017	Total Bank Charges		2,100.00
30/6/2017	Bank Balance Carried Forward		1,106,995.00
	<b>TOTAL</b>	<b>1,109,095.00</b>	<b>1,109,095.00</b>

**BANK RECONCILIATION STATEMENT AS AT 30<sup>TH</sup> JUNE 2017 FOR DEPOSIT ACC No. 1205643117**

	<b>Kshs.</b>	<b>Kshs.</b>
Balance as per Cash Book		1,106,995.00
Add: Unpresented Cheques		NIL
Less: Uncredited Cheques		NIL
<b>Balance as per Bank Statement</b>		<b>1,106,995.00</b>

